

Bringing Diversity On Board



*A Report on Successful Strategies to
Advance Corporate Board Diversity*

Office of State Treasurer Deborah B. Goldberg

June 2017

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June 29, 2017

Dear Corporate Leaders and Stakeholders:

Early in my business career, I learned that a diverse workforce and leadership team are essential to financial success. In a global marketplace, these are the critical elements to connecting with customers, investors, and employees from various backgrounds and walks of life. Board directors are charged with planning the strategic direction of the companies they oversee in a dynamic and rapidly-evolving environment. Recruiting, investing in, and retaining a diverse board is not just a social goal; it is a business imperative.

Since taking office in January 2015, I have made diversity one of my top priorities. As chair of the board that oversees the state's \$65 billion pension fund, I initially recommended several new [proxy voting guidelines](#) that were adopted and then subsequently strengthened this past February. For the roughly 9,000 publicly-traded companies that the pension fund invests in, we now vote against (or withhold our votes from) all board nominees if their board does not have at least 30 percent women and people of color. Through this policy, the pension fund is using its power as a shareholder to support sound governance strategies that foster long-term profitability. We need to do all we can to protect and increase the value of our investments.

We also recognize that proxy voting alone will not diversify boards. The purpose of this initiative is to engage directly with corporate directors, executives, advocates, investors, and researchers. We want to understand the challenges you are facing and the successful strategies you are using to advance diversity in your organizations. This report is designed to be a resource for you and for us in the Treasurer's Office. Working together, we are making important progress to strengthen our businesses and our economy. Now is the time to seize the momentum and develop innovative solutions to accelerate the pace of change.

We hope you find this report helpful and practical. In the weeks and months ahead, we look forward to engaging with you as we begin to promote and implement several of its key strategies and action items. Thank you for contributing your energy and ideas to this important effort and to the corporate governance work we will undertake together in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Deborah B. Goldberg', with a stylized, flowing script.

Deborah B. Goldberg
Massachusetts State Treasurer & Receiver General

ACKNOWLEDGMENTS

The Treasurer's Office would like to thank several individuals and organizations that contributed a significant amount of time to help take this project from vision to reality. First, we were fortunate to have six distinguished leaders from various industries moderate our roundtables: Esther Aguilera, President & CEO of the Latino Corporate Directors Association; Dr. Earlene Avalón, Director of Nursing Diversity Initiatives at Children's Hospital Boston and Assistant Professor of Health Management at Northeastern University; JoAnn Cavallaro, President of ION; Patricia Flynn, Trustee Professor of Economics & Management at Bentley University; Charlotte Laurent-Ottomane, Executive Director of the Thirty Percent Coalition; and Dr. Jonathan Woodson, Director of the Boston University Institute for Health System Innovation and Policy. Their expertise, guidance, and direction were invaluable in helping us structure each roundtable and engage a diverse coalition of participants throughout the discussions.

We are also deeply grateful to Toni Wolfman, from The Boston Club, and Ruth Ellen Fitch, who serves on the board of the state pension fund, for their help in planning this project from start to finish. Several organizations, including 2020 Women on Boards, The Boston Club, the Massachusetts Business Roundtable, Massachusetts Technology Leadership Council, and Massachusetts Life Sciences Center, among others, helped recruit individuals to participate in this initiative. Lastly, we want to thank the nearly 100 participants who came from across Massachusetts and around the country to attend our roundtables and share their ideas, strategies, and experiences. Their candid and insightful comments helped us generate a series of strategies and action items to address diversity in the boardroom.

I. EXECUTIVE SUMMARY

In May 2017, Massachusetts State Treasurer Deborah Goldberg convened three roundtable discussions with corporate executives, board directors, advocates, researchers, and investors. We asked them to share successful strategies to diversify corporate boards. Below are the highlights of what we heard. Additional details and further explanation are included later in this report.

What Can Companies Do?

1) Plan early, write clearly, and work patiently to recruit diverse directors.

- Recruit a pipeline of diverse directors before seats open.
- Specify, in writing, desired qualities of new directors.
- Require search firms to include women and people of color on the roster.
- Develop a timeline but be flexible.
- Consider implementing term or age limits to create board openings.
- Identify and address unconscious biases and stereotypes.

2) Set leadership priorities and company-wide diversity goals.

- Establish clear leadership on diversity from the CEO, board chair, and nominating and governance committee chair.
- Encourage the nominating and governance committee to document its commitment to diversity.
- Explain to investors what happens in the boardroom and frame diversity as a performance issue.
- Use metrics to recognize challenges and plan progress.
- Raise voices and use influence to advocate and require diversity from vendors.

3) Recognize that creating a diverse board starts with building a diverse and inclusive workforce.

- Promote an inclusive workplace culture.
- Build a workplace that supports families and promotes work-life balance.
- View cultural challenges holistically, not as top-down or bottom-up problems and answers.
- Focus on hiring inclusive managers.
- Advance diversity through mentoring between directors and employees.
- Actively recruit, train, and mentor youth to support the next generation of diverse employees.

What Can Advocates, Academics, Public Officials, and Investors Do?

1) Advocates and academics should examine best practices and help focus the agenda.

- Highlight company success stories.
- Engage with companies struggling to diversify their boards.
- Facilitate shareholder activism beyond boardroom issues.
- Build public-private partnerships with business schools.

2) State treasurers and government officials should promote board diversity with broader audiences and engage directly with companies.

- Increase public awareness and use scorecards with detailed goals to generate public momentum and support for board diversity.
- Create a CEO and board chair advisory board.
- Serve as a resource by convening diverse directors to facilitate mentorship and networking opportunities.

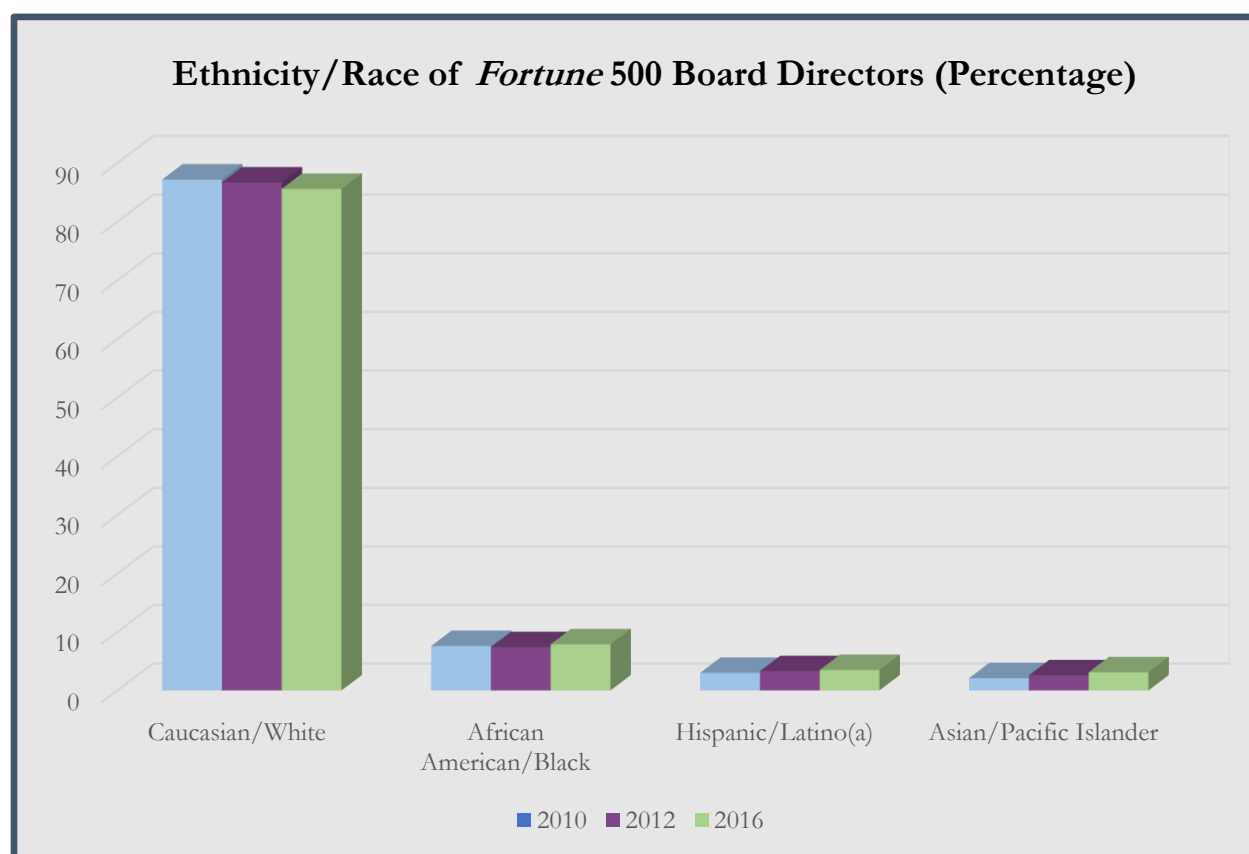
3) Pension funds and institutional investors should use their power as shareholders to advance diversity and explain its impact.

- Urge private equity firms and mutual funds to advocate for increased diversity at the companies they hold.
- File targeted shareholder resolutions.
- Connect with broader audiences by explaining the rationale and outcome of corporate governance efforts.

II. INTRODUCTION

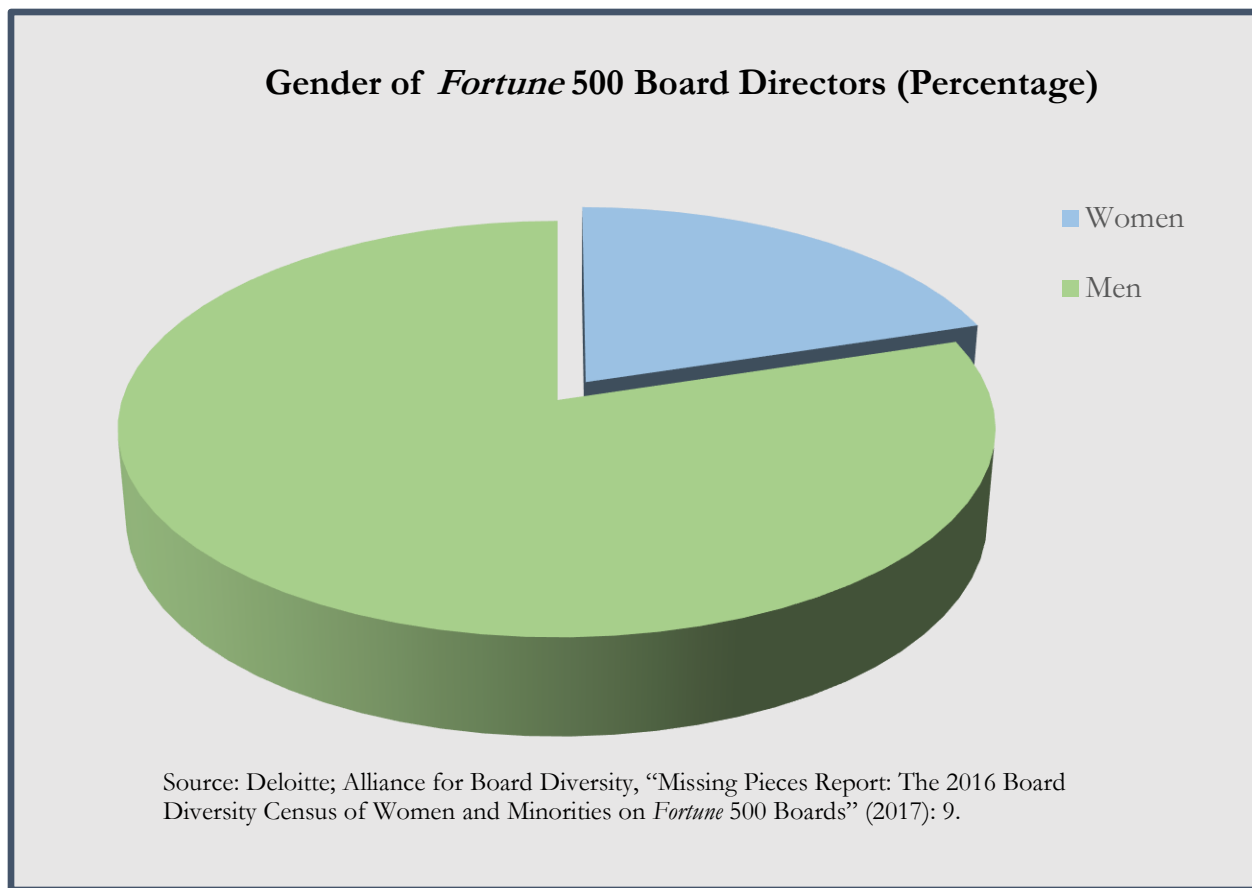
Even as our population becomes more diverse, corporate boardrooms and management teams have not kept pace. While we have seen promising progress in recent years, the fact remains that there is a fundamental mismatch between who oversees companies and the customers, employees, and investors they serve. Boards of directors and management must work in a fast-paced business climate with increasing global competition. In order for companies to succeed in the 21st century, it is imperative that their boards include diverse directors with a range of skills, experiences, and perspectives.

A [recent study](#) by the Alliance for Board Diversity and Deloitte found that women hold just more than 20 percent of all board seats in the *Fortune* 500. People of color (men and women) hold just more than 14 percent. In the *Fortune* 500, the data show that from 2010 to 2016, the number of African-American/Black directors increased from 7.6 to 7.9 percent; the number of Hispanic/Latino(a) directors increased from 3.0 to 3.5 percent; and the number of Asian/Pacific Islander directors rose from 2.1 to 3.1 percent (see chart below).¹ These gains are noteworthy, but



¹ Deloitte; Alliance for Board Diversity, “Missing Pieces Report: The 2016 Board Diversity Census of Women and Minorities on *Fortune* 500 Boards” (2017): 9-11.

for companies striving to market their products to a diverse population and effectively lead or oversee diverse teams of employees, they are inadequate.



In April 2017, Treasurer Goldberg launched “[Bringing Diversity on Board](#)” to engage directly with a range of stakeholders about the work they are doing to diversify corporate boards. We invited corporate executives, board directors, advocates, researchers, and investors to participate in roundtable discussions about the challenges they face in this field. We asked that they share successful practices or strategies they use to drive progress. We held three roundtables in Boston that brought together participants from the following industries: technology; finance; and health care, biotechnology, life sciences, and pharmaceuticals. We encouraged participants to submit proposed topics for discussion and worked with our moderators – a combination of corporate leaders, academics, and advocates – to develop an agenda with prepared questions. After each of the roundtables, we asked participants to share additional information about effective practices to advance corporate board diversity. Participants were encouraged to openly discuss issues. We promised their comments would not be attributed to a specific individual or company.

One common theme was that stakeholders hold critical and overlapping roles in supporting an agenda for greater diversity in corporate boardrooms. Government officials, including state treasurers, have the capacity to raise public awareness and influence corporate behavior. Companies can lead through action – not merely by naming specific directors to boards or putting managers in certain jobs, but also by institutionalizing practices and documenting their support for diversity. In addition, nominating and governance committees are an essential part of the process, and effective succession planning was described as one of several sound strategies for corporate governance.

Advocates and academics can continue to further these efforts by conducting research, framing the issues, and bridging gaps between corporate goals and realities.

This report provides an overview of key strategies presented during our roundtables.

“[Diversification Strategies for Corporate Leaders](#)” includes suggestions that companies have found to be particularly useful. We have highlighted them in this report so other companies can consult this section as a resource. Their inclusion should not, however, be interpreted as an endorsement of the described practices. Similarly, “[Action Items for Advocates, Academics, Public Officials, and Investors](#)” details a series of ideas (from participants) for other stakeholders to implement. Both sections provide an overview of key themes and recommendations presented to us; they do not attempt to summarize every comment made at the roundtables. [Appendix A](#) contains a list of resources participants shared and which are cited in various discussions around board diversity. [Appendix B](#) includes a list of questions for future discussion. [Appendix C](#) lists the names and organizations of the participants.

The roundtables provide a foundation on which we intend to continue building and moving forward in the months and years ahead. We hope you find this report spurs further thinking, creative solutions, and new action. And we encourage you to continue sharing your feedback and effective strategies to diversity corporate boards. To do so, please contact the Treasurer’s Office by email (Board.Diversity@tre.state.ma.us) or by phone (617-367-6900).

III. DIVERSIFICATION STRATEGIES FOR CORPORATE LEADERS

Plan Early, Write Clearly, and Work Patiently to Recruit Diverse Directors

➤ **Recruit a Pipeline of Diverse Directors Before Seats Open**

Companies with solid governance practices regularly plan for director succession. It is critical to plan early – and strategically – about which new, outside directors will take the place of directors who leave. Participants at the technology roundtable stressed that venture capitalists often look to serve an initial short term on the company’s board before transitioning to their next project and new investment. It takes time to recruit directors. The recruitment of diverse candidates from the beginning can ensure a comprehensive and deliberate process for shaping the critical stages of a company’s growth. And it can also ensure a smooth, seamless transition as early funders move off the board. Effective board succession planning requires a robust examination of industry affiliations; professional experiences; and demographics, including diversity across gender, race, age, and geographic representation.

➤ **Specify, in Writing, Desired Qualities of New Directors**

Effective searches for new directors begin by focusing on the specific qualities and experience needed to serve on the board. A senior executive at a Massachusetts-based technology company with a board that includes several women and people of color explained the power of a clearly documented approach. He emphasized the need to be “really, really clear about [the] written specification of what we’re looking for before letting anyone put names forward. We agreed on a specification; we’re sticking to it.” This approach is important because on many boards, when a seat opens, various directors or executives will immediately say something along the lines of “hey, I know a guy,” and often turn to their existing networks to fill the role. At a different roundtable, a woman who has served on several corporate boards and in various academic positions said, “the selection process is totally flawed. When boards look to replace directors, the question becomes one about ‘who do we choose,’” not about “the skills we need to take the company to the next level.” Focusing first and foremost on specific skills – rather than titles – can help broaden the applicant pool. And it can lead to successful searches that encourage companies to expand their networks as they recruit and select diverse candidates. Detailed skill matrices are a critical element of organizing an effective, clearly-defined, and skill-based director search. Taken together, these steps can make the search process more strategic and less personal.

➤ **Require Search Firms to Include Women and People of Color on the Roster**

At each roundtable, several participants spoke about the critical role of search firms and their responsibility to include women and people of color on the roster. Companies hire and pay search firms to provide an important service that can directly affect their financial

success or failure. When companies meet with search firms and mandate that they include women and people of color on the roster of candidates presented, it sends a powerful message: diversity matters to our bottom line *and* yours. Once companies set a mandate, they also need to hold search firms accountable if they do not deliver. One participant, speaking about her time on a financial services board, explained her company required the firm to present a balanced slate of diverse and female candidates; if it could not do so, the firm would not be hired to lead the search. One participant referred to the “Rooney Rule” – a policy in the National Football League that requires at least one person of color be among those interviewed for head coaching and general manager jobs – and suggested that companies consider a similar approach in hiring and nomination processes. Participants emphasized repeatedly that board diversity is primarily a business issue. Companies have a responsibility to talk about the issue in terms of their financial success, rather than social or moral imperatives. As one advocate said, boards become more diverse when corporate leadership says to a search firm: “If you don’t bring me a slate that looks [diverse], we’re not going to close the search.” Another participant described the urgency of the issue by saying, “you can’t be on the board if you’re not in the [candidate] pool.” Ultimately, board diversity is about thoughtful and effective corporate governance.

➤ **Develop a Timeline but Be Flexible**

It takes time to conduct a robust and wide-ranging search for top-tier talent. And finding diverse directors in fields led – for decades – by only white men can take even longer. In addition to writing a detailed director description, recognize that “changing the rules” can take more time than previous searches. Develop a timeline, but do not let it rush or constrain the process and the outcome. As one technology executive said, “don’t be forced to go with what you have versus what you want.” Finding the right director is a process that can often take at least one year, when done right.

➤ **Consider Implementing Term or Age Limits to Create Board Openings**

Participants offered differing opinions on the value of term limits, but several spoke about the positive impact and widespread use of required retirement ages to open seats for new directors. One executive explained that his company uses a term limit of 7 to 9 years and ensures a robust 18-month succession planning process. This allows the company to begin its search early on and ensures the search firm has sufficient time to present a diverse slate of candidates.

➤ **Identify and Address Unconscious Biases and Stereotypes**

When companies begin to look for directors, they instinctively turn to existing networks and well-established processes. Unconscious biases and stereotypes can significantly influence and narrow the pool of candidates for potential directors. Encouraging search committees to combat these biases means looking beyond job titles and evaluating capabilities. Even if a company has traditionally selected former CEOs to serve as directors, broadening the scope of the search to other mid- and senior-level executives can help produce a more diverse candidate pool. Considering a candidate’s experience and his or her future contributions to a company’s board often requires a more holistic analysis than screening or selecting based on job title alone. One director explained that biases and stereotypes directed towards employees – such as assuming people of certain ethnicities will be best suited for certain roles – also hinder board diversity because they can prevent people from being promoted.

Another participant said that unconscious biases can be the result of “risk aversion,” or the “notion that people who look like me equal predictability and quality of performance.” Biases and stereotypes do not just hurt individuals. They also prevent companies from reaching their full potential. One participant who holds a senior management role in the financial services industry explained she recently redacted names during a resume review to focus explicitly on qualifications, skills, and experience.

Set Leadership Priorities and Company-Wide Diversity Goals

➤ **Establish Clear Leadership on Diversity from the CEO, Board Chair, and Nominating and Governance Committee Chair**

Despite recognizing that no single person or solution can institute a culture of diversity overnight, several participants said direct communication with their CEO, and his or her respective advocacy, is vital to advancing diversity. As one financial services manager said about his CEO, “He’s my number one ally. He’s asking me to push him. I’ve seen our organization begin to move in the right direction because of his advocacy around this work.” This executive explained that rather than rely on data to make his case, he spoke about “populations of talent” and continually asked the CEO to consider whether the company is optimizing its opportunities and “penetrating the market.” Board chairs and lead independent directors also play a fundamental role in articulating the company’s priorities and vision. When those in charge make a firm commitment to diversity, it makes a significant difference to the outcome.

➤ **Encourage the Nominating and Governance Committee to Document its Commitment to Diversity**

Nominating and governance committees can play a key role in advancing board diversity by stating their commitment openly in charters. Setting diversity goals and assigning accountability to specific teams and individuals can help institutionalize a company’s commitment to diversity. Participants stressed that nominating and governance committee chairs must voice and record their charge clearly when they demand diverse slates of board candidates. Search firms are important to the process, but nominating and governance committees also must act. Not only can these chairs recruit diverse directors, but they also can bring different stakeholders into their networks to help spread the word in diverse communities about open board positions.

➤ **Explain to Investors What Happens in the Boardroom and Frame Diversity as a Performance Issue**

Investors do not always fully understand what happens in the boardroom. However, they need to know what directors do, the types of decisions they make, and how their actions change the strategic direction and fiscal health of companies. Corporate leaders can best communicate the importance of board diversity by explaining how it strengthens corporate governance, and highlighting that when a board truly reflects its marketplace and investors, it helps the company seize opportunities and maximize business. Companies also can persuade investors to understand the value of diversity by explaining how it leads to insightful questions and robust dialogue in the boardroom. To address emerging challenges proactively, it is critical that board directors have the skills and experience to question and support management. On the contrary, a lack of diversity – as defined by people from similar backgrounds and of similar perspectives – can lead to groupthink and prevent the type of rich, dynamic discussion needed to challenge assumptions and plan for various outcomes. A senior manager at a financial services firm added that promoting boardroom

diversity also requires a “softer touch and [is] not all about direct, explicit pressure.” She emphasized corporate leaders need “to access and experience the impacts of diversity.” Several participants highlighted the fact that strategies used to diversify boards – from wide-ranging searches to effective succession planning – are simply sound corporate governance practices. They will help lay the foundation for positive performance.

➤ **Use Metrics to Recognize Challenges and Plan Progress**

Companies that self-report their diversity statistics can help foster a culture of transparency. When there is transparency about the challenges they face and the goals they aspire to achieve, women and people of color may recognize a genuine commitment to drive progress, recruit diverse talent, and institutionalize practices that continue to advance diversity. Encouraging diverse managers and directors to feel comfortable at work starts with corporate leaders holding their organization, and themselves, accountable to the targets they set. When it comes to data, companies must be clear and open about how statistics are collected.

➤ **Raise Voices and Use Influence to Advocate and Require Diversity from Vendors**

In addition to demanding that search firms present a diverse slate of candidates, companies also can use their power to urge and require diversity in the workforce of the vendors they hire – from search firms to law firms. At one roundtable, a lawyer said when major clients begin demanding diversity, a law firm’s commitment to the issue becomes front and center. This incentivizes firms to take diversity seriously, and then to work with the company that hired them to prioritize including more women and people of color in their clients’ boardrooms and their own executive ranks.

Recognize that Creating a Diverse Board Starts with Building a Diverse and Inclusive Workforce

➤ **Promote an Inclusive Workplace Culture**

Creating a climate where women and people of color feel comfortable and supported starts with a focus on details – ranging from office policies to social outings. In a strong job market where talented candidates are heavily recruited, the company culture can encourage or dissuade someone from joining and accepting a leadership role. Especially in fields long dominated by men, companies that frequently organize social activities that may be viewed as excluding women may find them looking for jobs with other companies or in other industries. One woman who serves in senior management at a technology company spoke about the impact of the “good old boys” network and the way it prevents women and the company from reaching their full potential. Another participant spoke about how attention to seemingly minor details – such as what food is being served at holiday parties, and proactively asking how diverse employees spend their spare time to develop new social activities outside of the office – can help bridge cultural divides. As one participant said, “inclusion is the oxygen of diversity,” and it is about “making people see that they belong, [that] they feel like they are where they belong.” In a diverse and inclusive workforce, employees expect that the management and board who lead their company also will be diverse.

➤ **Build a Workplace that Supports Families and Promotes Work-Life Balance**

Workplace policies can influence how women make decisions about whether to accept senior management jobs. One participant said that as women have children early in their careers, and begin to take on more responsibilities to care for aging parents in the middle of their careers, these family demands can prevent them from accepting or striving to obtain management jobs with extensive travel and long hours. To expand the pipeline of women executives in various industries, companies should review and consider strengthening policies that support paid family leave, closing gender and racial wage gaps, teleworking, and flexible schedules. Innovative solutions that encourage work-life balance for both men and women at various points in their careers – and recognize that family demands evolve over time – build ties of loyalty with employees. And loyal employees become successful employees. When successful employees are then able to move up the corporate hierarchy, they get closer to becoming managers and board directors.

➤ **View Cultural Challenges Holistically, Not as Top-Down or Bottom-Up Problems and Answers**

To advance boardroom diversity, companies should set intentional, organization-wide goals that senior managers, board directors, and the CEO can embrace. This takes a multi-pronged approach, with managers and directors regularly evaluating new diversity data and engaging collaboratively in board succession planning. Only then will the company set and achieve short-, medium-, and long-term goals, focusing simultaneously on recruitment, selection, and retention.

➤ **Focus on Hiring Inclusive Managers**

Building a pipeline of diverse talent in mid- and senior-level management starts with hiring practices that specifically emphasize inclusivity and diversity as key strategic goals. This means hiring managers who are explicitly committed to recruiting a diverse team. As a representative of a global pharmaceutical company explained, “We specifically hire with an inclusivity gene. If [the candidates] have not been able to hire, develop, and train different generations, as well as different genders and ethnicities, they will not work. Period.” Board diversity starts in human resources. Setting specific goals and focusing on culture can transform a company’s approach. A biotechnology executive echoed this, saying, “we invest in inclusive leadership and people who have a proven record of having mentored people who are different from them.” Managers also should be held accountable in their annual reviews for taking steps to achieve diversity goals. One participant noted that until at least one third of the company’s leadership is diverse, it is difficult to institute the type of cultural changes that drive progress. Another participant explained that in addition to expanding the network to encourage more diversity, white male leaders also need “to carry the water” to accelerate the pace of change.

➤ **Advance Diversity through Mentoring Between Directors and Employees**

Board directors can serve as influential mentors to employees – from entry level hires to senior managers. Once women and people of color serve on a board, they can develop programs and host events that encourage networking and mentorship with other women and diverse employees in the company. These efforts open channels of communication, foster workplace inclusivity, and support career advancement, enabling diversity at the board level to strengthen diversity across the company. Diverse boards also can help recruit new employees from different networks – leading to a shift in focus, which one participant described as “not just ‘I know a guy’ but ‘I know a gal.’” However, companies should protect lines of separation between directors and management, ensuring mentorship opportunities and programs do not create inherent conflicts in the board’s oversight role. Several executives and advocates at the roundtables observed companies should invest greater resources, energy, and focus into helping diverse individuals accelerate their career growth. A senior executive at a biotechnology company noted it is “not always that a pipeline doesn’t exist, but that the pipeline isn’t thinking about opportunities to serve on boards.” He explained how his company has used a sponsorship program to assist and support women interested in serving on corporate boards.

➤ **Actively Recruit, Train, and Mentor Youth to Support the Next Generation of Diverse Employees**

Just as boards find a more diverse group of applicants by broadening the source of candidates – and the desired titles, experiences, and criteria for a given seat – companies can hire a more diverse workforce by being more flexible about the specific credentials needed for a certain job. For example, one health care executive said her employer was initially skeptical of hiring a diverse colleague without a college degree, but she convinced management to do so, and now that same colleague is enrolled in college classes while also excelling at her job. Additionally, actively encouraging elementary and middle school-age girls and students of color to consider science, technology, engineering, and mathematics (STEM) careers will help broaden the pipeline of talent in later years. Co-op and internship

programs also provide high school and college students with access to new job experiences, which then helps companies recruit the next generation of employees – and if they are mentored effectively – the next group of managers, executives, and directors.

IV. ACTION ITEMS FOR ADVOCATES, ACADEMICS, PUBLIC OFFICIALS, AND INVESTORS

Advocates and Academics Should Examine Best Practices and Help Focus the Agenda

➤ **Highlight Company Success Stories**

Companies that work hard to diversify their boards need stakeholders and advocates to highlight their approach and results through creative platforms. Social media and online videos can showcase the ways companies achieve success, not only rewarding progress, but also providing a set of interactive tools that other companies may access and use. Advocates can serve as a bridge to academics, who conduct research and analyze data on board diversification strategies and work with business leaders to develop organizational change.

➤ **Engage with Companies Struggling to Advance Board Diversity**

Just as companies deserve public recognition for making progress to diversify their boards, at the same time, companies without any gender or racial diversity should hear from customers, investors, and the public. One advocate explained her organization creates a letter or email-writing campaign to engage with companies that have no diverse directors on their boards. Informing corporate executives and directors that stakeholders are paying attention to their actions – or lack thereof – demands and incentivizes progress.

➤ **Facilitate Shareholder Activism Beyond Boardroom Issues**

While institutional investors increasingly vote against new directors and/or nominating committee chairs in proxies of companies with non-diverse boards, advocates can encourage even greater focus on diversity in a company's executive and management ranks. As noted earlier, requesting data about diversity in hiring, cultural inclusivity, and equal pay practices can affect a company's willingness to expand the pool of diverse directors. It makes a difference when companies choose to broaden their strategies, including by advocating for greater diversity at the front end through hiring, retention, and promotion.

➤ **Build Public-Private Partnerships with Business Schools**

To help address the underrepresentation of women and people of color in corporate management roles, business schools – and business school deans specifically – should consider advancing new mentorship and sponsorship initiatives, director recruitment efforts, and management skill development programs. By launching partnerships with companies, building networks of employers, and raising public urgency, deans can promote an agenda that influences and encourages faculty to advance this work. Providing business school students with the skills, networks, and resources to advance their careers will help expand the pipeline of directors in later years. Business school leaders also can do more to broaden the pipeline and strengthen the pathway to corporate executive roles by working to increase the diversity of students and administrators within their own institutions.

State Treasurers and Government Officials Should Promote Board Diversity with Broader Audiences and Engage Directly with Companies

➤ Increase Public Awareness and Use Scorecards with Detailed Goals to Generate Public Momentum and Support for Board Diversity

Beyond their duties on the boards of state pension funds, state treasurers can use their highly visible platforms and public policy agendas to build support for board diversity. The state – in partnership with advocates, corporate leaders, and other stakeholders – can increase public awareness around the ways in which companies are addressing this issue and how it affects consumers, investors, and employees. State treasurers also can take a leadership role in establishing suggested benchmarks and goals for companies in their states, and creating a scorecard to track progress and promote success. State treasurers can invite local companies lacking board diversity, including those with director slates that did not receive the state pension fund’s support, to meet and discuss the current work they are doing to add diverse directors to their boards.

➤ Create a CEO and Board Chair Advisory Board

State treasurers should consider building a small advisory board of CEOs, board chairs, and senior corporate executives to develop action plans, monitor progress, address evolving challenges, and exchange best practices for supporting effective governance systems and increasing board diversity. This advisory board could meet on a regular basis, in a similar format to the roundtables held during this initiative, but with a smaller group of corporate leaders.

➤ Serve as a Resource by Convening Diverse Directors to Facilitate Mentorship and Networking Opportunities

State treasurers and other public officials can and should play a significant role as both a resource and a convener for directors. By facilitating programs that bring diverse directors from similar industries into one room, public officials can help them establish important contacts to boost mentorship and sponsorship programs, invest in networking, and expand the candidate pool that companies and search firms turn to when board seats are open. For example, state treasurers can help pair current directors with mid-level managers who want to learn more about board membership and the skills they need to develop.

Pension Funds and Institutional Investors Should Use Their Power as Shareholders to Advance Diversity and Explain its Impact

➤ Urge Private Equity Firms and Mutual Funds to Advocate for Increased Diversity at the Companies They Hold

At publicly-traded companies, proxy voting and shareholder resolutions can provide an effective vehicle to advocate for and advance greater board diversity. But given that many institutional investors also put billions of dollars in private equity firms, several participants called for investors to exert greater pressure, through letter writing and other communications, to demand that firms work with the private companies in which they invest to increase board diversity. Similarly, as some of the largest mutual fund complexes are located in Massachusetts, one participant called on investors to demand action from those companies that have deliberately opposed and voted against proposals or initiatives to increase diversity.

➤ File Targeted Shareholder Resolutions

Public pension funds and other institutional investors can take a more active role in shareholder engagement efforts. They have the power to file targeted resolutions that address issues related to diversity, such as requesting additional data disclosure and reporting.

➤ Connect with Broader Audiences by Explaining the Rationale and Outcome of Corporate Governance Efforts

Although investors understand the intricacies of shareholder engagement actions and proxy voting, consumers are often unaware of the decisions being made by corporate boards and management. A business or corporation's communication and social media strategy can help create connections with more diverse audiences and explain corporate governance in language that the public can better understand. This helps inform consumers about their choices and decisions in the marketplace. As one participant said, "young people out there don't know about proxy voting, but they probably got the hashtag, 'delete Uber.'" Another participant explained when it comes to corporate governance and board diversity, "the conversation still feels very elite" and emphasized the need to "broaden our base" of support.

V. CONCLUSION AND NEXT STEPS

This report provides a brief overview of various strategies and action items discussed at each of the roundtables held in May 2017. We heard loudly and clearly that recent progress in the boardroom is laudable, but the pace is too slow. Far too many companies are currently led by management teams and overseen by directors who do not fully represent the customers, investors, employees, and vendors they do business with. The discrepancy between what boards look like, and whom they serve, leads to lost business opportunities.

The Treasurer's Office is firmly committed to playing a lead role in the effort to make corporate boards more diverse. Several strategies and action items were presented to us at the roundtables. We look forward to exploring these ideas and beginning to implement some of them in the future. But, as this report makes clear, we also know that these issues cannot be the work of government alone. To drive tangible and lasting reform in the boardroom, all stakeholders – including corporate leaders, government officials, private investors, consumers, and advocates – must work together to share best practices and push one another to achieve ambitious goals.

Through this initiative, we gained valuable guidance from experts and leaders in corporate governance and board diversity. We hope to continue engaging with more stakeholders and expanding the network of individuals dedicated to this issue. If you would like to get involved and receive future announcements or updates, please email Board.Diversity@tre.state.ma.us or call us at 617-367-6900. We look forward to the work we will lead, the change we will shape, and the impact we will create together – in Massachusetts and beyond.

APPENDIX A: RESOURCES AND REPORTS

The list below includes resources and reports that roundtable participants and other stakeholders have referenced and shared with the Treasurer's Office.

[“A Public Reality for Women in Biotech Boardrooms”](#) – Liftstream (2017)

[“Raising the Bar: Advancing Women on Boards”](#) – Institute for Corporate Responsibility, The George Washington University (2015)

[“Reinventing the Workplace for Greater Gender Diversity”](#) – McKinsey & Company (January 2017)

[“Breaking the Mold: Investing in Racial Diversity in Tech”](#) – OpenMIC (February 2017)

[“The CS Gender 3000: The Reward for Change”](#) – Credit Suisse Research Institute (September 2016)

[“Moving Beyond Bias in the Workplace”](#) – The Clayman Institute for Gender Research, Stanford University (March 2017)

[“Why Diversity Matters”](#) – Catalyst Information Center (July 2013)

[“The Supply Problem Myth: Fortune 500 Boards”](#) – Catalyst (2012)

[“2013 Catalyst CEO Summit: Solutions From the Boardroom For the Boardroom”](#) – Catalyst (June 2014)

[“Missing Pieces Report: The 2016 Board Diversity Census of Women and Minorities on Fortune 500 Boards”](#) – Alliance for Board Diversity; Deloitte (2017)

[“Why Diversity Matters”](#) – McKinsey & Company (January 2015)

[“How to Accelerate Gender Diversity on Boards”](#) – McKinsey & Company (January 2017)

[“Fund Managers by Gender – The Global Landscape”](#) – Morningstar (November 2016)

[“Boardroom Progress But Not In The Executive Suite”](#) – The Boston Club (2016)

[“LGBT: The Value of Diversity”](#) – Credit Suisse Research Institute (April 2016)

[“The Girl With the Draggin’ W-2”](#) – Wells Fargo Securities (February 2017)

[“Mapping Incoming Boardroom Talent”](#) – Heidrick & Struggles (May 2016)

[“The Business Relevance of Diverse Leadership”](#) – Heidrick & Struggles (January 2017)

[“Boardroom Diversity: When Women Lead”](#) – 2020 Women on Boards (2016)

APPENDIX B: QUESTIONS FOR FUTURE DISCUSSION

- When it comes to recruitment of new directors, what obstacles are limiting the candidate pool?
- What are the benefits and drawbacks to using term or age limits to create new open seats on your board?
- What strategies, practices, and tactics have companies found to be successful for recruiting, selecting, and retaining diverse directors? How are these strategies being used to look beyond networks that largely consist of white male CEOs?
- If the process for selecting directors is currently limited to former senior executives, how do we get more women and people of color into senior executive roles?
- How can mentoring and internship programs help empower and retain diverse employees and directors?
- How are companies engaging search firms in the process to broaden the recruitment pool?
- What role does bias – both explicit and implicit – play in limiting the number of diverse directors and executives at a company?
- What roles do CEOs, board chairs, and nominating and governance committees play in driving board diversity? What structures are in place to institutionalize their efforts after these leaders step down from their positions?
- How do diverse boards affect diversity initiatives and enhance employee diversity throughout the organization?
- What types of relationships and correlation can we find between diversity and business success, and where are there gaps in the existing data?
- Are there business outcomes that are harder to measure and quantify and are advanced by diversity? If so, how can we study them?
- What strategies can be used to best communicate with various audiences (investors, consumers, media, and the public) about how companies view diversity?
- How can these strategies promote and incentivize companies to take board diversity as seriously as they do other corporate governance issues?
- What role can and should institutional investors play in demanding new data and disclosure on diversity?

APPENDIX C: ROUNDTABLE PARTICIPANTS

May 1, 2017 Roundtable (Technology)

Moderators:

JoAnn Cavallaro – ION

Charlotte Laurent-Ottomane – Thirty Percent Coalition

Participants:

Sadie Burton-Goss – Babson College

Nurys Camargo – AT&T Massachusetts

Russ Campanello – iRobot Corporation

JD Chesloff – Massachusetts Business Roundtable

Steven Conine – Wayfair, Inc.

Mark Doherty – Amalgamated Bank

Jason Duva – Avid Technology, Inc.

Ruth Ellen Fitch – Massachusetts Pension Reserves Investment Management (PRIM) Board

Heather Foust-Cummings – Catalyst

Emily Green – Casella Waste Systems, Inc.

David Gurtz – Massachusetts PRIM

Tom Hopcroft – Massachusetts Technology Leadership Council

Kathy Kountze-Tatum – Eversource Energy

Donna Levin – Care.com

Marilyn Matz – Paradigm4

Reinier Moquete – Latino STEM Alliance; Advoqt Technology Group

Rico Oyola – Service Employees International Union (SEIU) Capital Stewardship Program

Jaime Paris Boisvert – Siemens Industry, Inc.

Pam Reeve – The Commonwealth Institute

Tuck Rickards – Russell Reynolds Associates

Mark Rogers – BoardProspects.com

Timothy Smith – Walden Asset Management

Heidi Soumerai – Walden Asset Management

Samantha Washburn – Treasurer Goldberg's Office of Economic Empowerment

Toni Wolfman – The Boston Club

May 16, 2017 Roundtable (Finance)

Moderators:

Esther Aguilera – Latino Corporate Directors Association

Patricia Flynn – Bentley University

Participants:

Maureen Alphonse-Charles – The Boston Club

Susan Baker – Trillium Asset Management

Kathy Cuocolo – Syntax

Diane Danielson – SVN International Corporation

Gail Deegan – iRobot Corporation; EMC Corporation

Zachary Donah – Massachusetts Society of CPAs

Lisa DonFrancesco – Saint James Real Estate Advisors, LLC

Elaine Eisenman – Women Corporate Directors

Sara Erkal – Treasurer Goldberg’s Office of Economic Empowerment

Ruth Ellen Fitch – Massachusetts PRIM Board

Paul Francisco – State Street Corporation

Yvonne Garcia – State Street Corporation

Lisa Hayles – Boston Common Asset Management

Chris Kealey – Massachusetts Business Roundtable

Tonie Leatherberry – Deloitte Consulting, LLP

Grace Lee – People’s United Bank

Shirley Mills – The Boston Company

Shannon O’Mara – Loomis, Sayles & Company, L.P.

Amy Pitter – Massachusetts Society of CPAs

Jennifer Pline – Cambridge Trust Company

Sarah Samuels – Massachusetts PRIM

Ben Sigel – Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, P.C.

Macken Toussaint – Riemer & Braunstein, LLP

Donna Walsh – Boston Women in Finance

Jeanne Wolf – CFA Society Boston

Toni Wolfman – The Boston Club

May 24, 2017 Roundtable (Health Care, Biotechnology, Life Sciences, and Pharmaceuticals)

Moderators:

Dr. Earlene Avalon – Boston Children’s Hospital; Northeastern University

Dr. Jonathan Woodson – Boston University

Participants:

Javier Barrientos – Biogen

Abbie Celniker – Massachusetts Biotechnology Council

Joe Chow – Delaware Investments Family of Funds

Andrew Dawson – Shire

Connie Everson – Capital Markets Outlook Group

Ruth Ellen Fitch – Massachusetts Pension Reserves Investment Management (PRIM) Board

Stas Gayshan – Cambridge Innovation Center

Malli Gero – 2020 Women on Boards

Juliette Mayers – Inspiration Zone, LLC

Travis McCready – Massachusetts Life Sciences Center

Zachary Stanley – Massachusetts Biotechnology Council

Robert Urban – Johnson & Johnson Innovation Center

Linda Whitlock – The Whitlock Group

Susan Windham-Bannister – Biomedical Innovation Advisors, LLC

Sara Erkal – Treasurer Goldberg’s Office of Economic Empowerment

Laurie Cooke – Healthcare Businesswomen’s Association

Eileen Durey – Arjuna Capital